

HLIB Research

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Sam Jun Kit
jksam@hlib.hongleong.com.my

+603-2083 1723

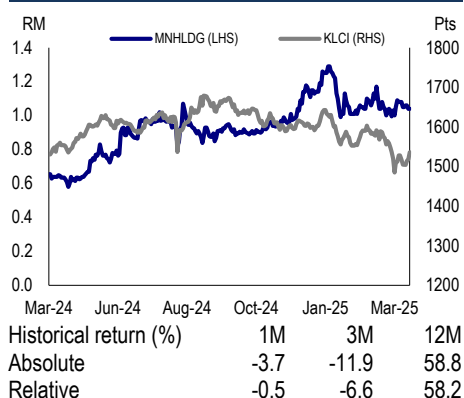
BUY (Maintain)

Target Price: **RM1.54**
Previously: **RM1.54**
Current Price: **RM1.04**

Capital upside	48.0%
Dividend yield	0.0%
Expected total return	48.0%

Sector coverage: Construction

Company description: MNHLDG is principally engaged in the provision of underground utilities and substation engineering services and solutions.

Share price

Stock information

Bloomberg ticker	MNHLDG MK
Bursa code	0245
Issued shares (m)	560
Market capitalisation (RM m)	582
3-mth average volume ('000)	7,773
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	N/A

Major shareholders

Toh Eng Keat	16.3
Loy Siong Hay	15.9
Dang Siong Diang	7.1

Earnings summary

FYE (June)	FY24	FY25f	FY26f
PATMI – core	19.1	45.1	49.6
EPS – core (sen)	2.8	6.6	7.8
P/E (x)	40.0	16.9	15.4

MN Holdings

No signs of slowdown

The operational outlook for MNH in CY25 is strong, with the group boasting a record-high order book of RM892.4m and a robust tender book of RM1.5bn. Also, we see better pricing for Tenaga's projects, driven by the limited pool of M&E contractors and the strong pipeline of projects set to roll out in RP4. Additionally, management has highlighted a potential shift in DC development focus to the Central region from Southern, which we reckon is favorable for the group's UUE segment. The upcoming LSS5, LSS5+, and LSS6 projects are expected to provide further upside to MNH's order book. Overall, we maintain our BUY rating on MNH, with an unchanged target price of RM1.54, based on 22x FY26F fully diluted EPS of 7.0 sen.

Buoyant orderbook with large replenishment opportunity. As of 13th March, MNH's order book has reached a record high of RM892.4m, with over 50% derived from the DC sector and Tenaga. Despite this strong order book, tender activities remain robust, with the latest tender book totaling approximately RM1.5bn. Notably, around 70% of the tender book revolves on Tenaga and DC projects. Also, we gathered 50% of the tenders related to DC players come from existing clients, while the balance 50% are from new customers, primarily Western-based DC operators. Overall, the group continues to see ample job opportunities in the market and it stays selective on pursuing projects that will either enhance its track record or offer attractive margins.

Better pricing at Tenaga. After MNH's substation segment was included in Tenaga's Green Lane Pathway vendor list in 1QFY25, the group has secured two projects under this segment worth RM16m. Given fast-tracked nature of these projects, we gathered the margins here are higher vs general Tenaga contracts. Looking ahead, with more contract wins anticipated under the Green Lane Pathway, we expect a higher proportion of MNH's Tenaga contribution to come from these faster-paced projects. Separately, for general Tenaga contracts, we see better pricing opportunities, driven by the limited pool of M&E contractors and the strong projects expected to roll out in RP4. Additionally, the high demand for M&E contractors from the private sector could incentivize Tenaga to offer better pricing to secure contractors, especially for HV power infrastructure (132kV and 275kV), which traditionally had fewer participants. We believe such a dynamic will benefit MNH, given that Tenaga is a key customer to the group.

DC pipeline not slowing down. Management has not observed any slowdown in DC, even after news of AI chip restrictions from the US; this is further reinforced by the ongoing land sales between property developers and DC operators. In fact, one of MNH's customers has expedited its rollout plan due to strong demand from offtakers. Based on the current project call flow, management expects upcoming wins to be concentrated in the central region, primarily from DC operators in the western region. This shift from Johor to the central region is expected to benefit MNH's UUE segment, as PMUs in the central region are generally less strategically located than those in the Johor DC cluster, resulting in higher project values due to lengthier distances. Hence, management is in active engagement with property players who have sold land for DC development and is optimistic on securing some of these opportunities in the coming months. Additionally, existing Customer A is expected to begin its extension project for Plot 4 of its DC and is expected to award Plot 5 by the end of CY25. Overall, we believe MNH's DC job flow will remain strong over the next 6-12 months. However, management has noted an increasing number of new players entering the substation market for the DC segment, which could potentially cap the superior margins in this segment.

Solar is the next up leg. The upcoming LSS5, LSS5+, and LSS6 projects are expected to significantly drive MNH's order book growth. Assuming LSS6 matches the capacity of LSS5 and LSS5+, the collective 6GW quota from these projects would already surpass Tenaga's 4GW ESA signed for data centres. Unlike the CGPP, which allows

SPPs to begin only after securing off-takers, LSS winners are required to commence its asset within a specified deadline, ensuring faster execution. In line with Tenaga's situation, management anticipates better pricing for power infrastructure jobs, driven by the expanding market opportunity (the quotas from just LSS5 and LSS5+ exceed the cumulative utility-scale quotas awarded under LSS1-4 and CGPP), coupled with a limited pool of M&E specialists. Furthermore, the higher GW per project is expected to result in greater project values for the group, in addition to a favourable margin outlook.

Forecast. Unchanged.

Maintain BUY with an unchanged TP of RM1.54, based on 22x FY26 fully diluted EPS of 7.0sen (See Figure#1). We favour the group for its strong exposure to high-growth sectors such as solar and data centers. Additionally, MNH is well-positioned as a proxy for Malaysia's rising power demand and stands to benefit from Tenaga's capex upcycle.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE June	FY23	FY24	FY25f	FY26f	FY27f
Cash	20.5	41.5	14.3	4.4	74.9
Receivables	52.5	55.9	111.1	156.8	145.1
Contract Asset	61.4	89.5	151.0	213.1	197.2
PPE	6.6	7.4	6.7	5.5	4.0
Others	5.8	11.9	11.7	11.5	11.3
Assets	146.8	206.2	294.8	391.2	432.6
Payables	56.4	55.6	99.9	146.6	130.8
Debt	6.0	19.8	19.8	19.8	19.8
Others	13.3	12.5	12.5	12.5	12.5
Liabilities	75.8	87.9	132.2	178.9	163.1
Shareholder's equity	71.1	118.4	162.7	212.3	269.5
Minority interest	0.0	0.0	0.0	1.0	2.0
Equity	71.1	118.4	162.7	212.3	269.5

Cash Flow Statement

FYE June	FY23	FY24	FY25f	FY26f	FY27f
Profit before taxation	13.2	24.7	59.9	66.0	75.9
D&A	3.2	3.5	4.0	4.4	4.8
Working capital	-11.8	-34.6	-72.4	-60.9	11.7
Taxation	-3.9	-7.6	-14.8	-16.4	-18.7
Others	4.6	5.8	0.0	0.0	0.0
CFO	5.3	-8.2	-23.2	-6.9	73.6
Capex	-8.1	-3.3	-3.1	-3.1	-3.1
Others	0.4	0.6	0.0	0.0	0.0
CFI	-7.7	-2.8	-3.1	-3.1	-3.1
Shares issued	0.0	28.4	0.0	0.0	0.0
Dividends	0.0	0.0	-0.8	0.0	0.0
Others	-1.3	6.2	0.0	0.0	0.0
CFF	-1.3	34.6	-0.8	0.0	0.0
Net cash flow	-3.7	23.7	-27.2	-9.9	70.6
Forex	0.0	0.0	0.0	0.0	0.0
Others	5.3	-2.8	0.0	0.0	0.0
Beginning cash	18.9	20.5	41.5	14.3	4.4
Ending cash	20.5	41.5	14.3	4.4	74.9

Income Statement

FYE June	FY23	FY24	FY25f	FY26f	FY27f
Revenue	164.5	256.2	457.6	645.7	597.7
EBITDA	16.9	29.6	65.7	72.6	78.1
EBIT	13.8	26.1	61.7	68.2	78.1
Profit before tax	13.2	24.7	59.9	66.0	75.9
Tax	-3.9	-7.6	-14.8	-16.4	-18.7
Net profit	9.3	17.2	45.1	49.6	57.2
Minority interest	0.0	0.0	1.0	2.0	3.0
Reported PATMI	9.3	17.2	45.1	49.6	57.2
Exceptionals	4.4	1.9	0.0	0.0	0.0
Core PATMI	13.7	19.1	45.1	49.6	57.2
Consensus core PATMI			44.9	49.7	54.5
HLIB/ Consensus			101%	100%	105%

Valuation & Ratios

FYE June	FY23	FY24	FY25f	FY26f	FY27f
Core EPS (sen)	1.9	2.6	6.1	6.8	7.8
P/E (x)	55.6	40.0	16.9	15.4	13.4
DPS (sen)	0.0	0.0	0.2	0.0	0.0
Dividend yield (%)	0.0%	0.0%	0.1%	0.0%	0.0%
BVPS (RM)	0.1	0.2	0.2	0.3	0.4
P/B (x)	10.7	6.5	4.7	3.6	2.8
EBITDA margin	10.3%	11.6%	14.4%	11.2%	13.1%
EBIT margin	8.4%	10.2%	13.5%	10.6%	13.1%
PBT margin	8.0%	9.6%	13.1%	10.2%	12.7%
Net margin	8.4%	7.5%	9.9%	7.7%	9.6%
ROE	19.3%	16.1%	27.8%	23.4%	21.2%
ROA	9.4%	9.3%	15.3%	12.7%	13.2%
Net gearing	CASH	CASH	CASH	CASH	CASH

Assumptions

FYE June	FY23	FY24	FY25f	FY26f	FY27f
Order replenishment	-	-	750	450	400

Figure #1 FV calculation

Valuation	Basic	Fully Diluted
FY26F projected after tax earnings (RM'm)	49.6	49.6
+Net Interest savings	-	1.8
Adjusted FY26F projected earnings (RM'm)	49.6	51.4
Number of shares (m)	559.0	559.0
+ Number of warrents (m)	-	165.6
+ESOS	-	10.0
Number of fully diluted shares (m)	559.0	734.6
EPS	8.9	7.0
Fair Value (RM)	1.95	1.54

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Hong Leong Investment Bank Berhad (10209-W)

Level 28, Menara Hong Leong,

No. 6, Jalan Damanlela,

Bukit Damansara,

50490 Kuala Lumpur

Tel: (603) 2083 1800

Fax: (603) 2083 1766

Stock rating definitions

BUY	Expected absolute return of +10% or more over the next 12-months.
HOLD	Expected absolute return of -10% to +10% over the next 12-months.
SELL	Expected absolute return of -10% or less over the next 12-months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result to a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating definitions

OVERWEIGHT	Sector expected to outperform the market over the next -12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next -12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next -12 months.

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